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C O N F I D E N T I A L SECTION 01 OF 02 ATHENS 002992

SIPDIS

STATE PASS TO USTR

E.O. 12958: DECL: 10/26/2015

TAGS: [ECON](#) [ETRD](#) [GR](#)

SUBJECT: GREEKS FLEXIBLE ON WTO MARKET ACCESS, BUT
UNWILLING TO RISK FRENCH WRATH DURING EU BUDGET SEASON

\\FOLLOWING MESSAGE BEING RESENT UNDER NEW MRN AND MCNS.
MESSAGE WAS SENT AS DUPE ATHENS 02791 ON 31 OCTOBER 2005.\\

REF: A. ALLGEIER - EU AMBASSADORS TELCON 10/21

[1](#)B. STATE 190730

Classified By: AMB Charles P. Ries, E.O. 12958 reasons 1.4 (b) and (d)

[1](#)1. (SBU) Summary: At the end of a week of pressing at all levels, Ambassador met with Greek Minister of Finance Alogoskoufis for second time, who admitted that while Greece is willing to be flexible regarding market access for the Doha Development Agenda (DDA), their national interest does not allow them be seen as willing to compromise lest the French abandon them on domestic support, or retaliate against them in the EU budget process. End Summary.

[1](#)2. (SBU) In response to requests to energize EU member states to produce a more meaningful EU offer on agriculture for the upcoming Hong Kong WTO ministerial, Ambassador raised the issue with Minister of Economy and Finance Alogoskoufis, Minister of Foreign Affairs Molyviatis, and the Chairman of the Federation of Greek Industries. Econcouns also met with the Secretary General of Finance and Trade Policy Director. Ambassador and econcouns met together with Alogoskoufis October 26 to get a definitive view of the Greek position. Alogoskoufis told Ambassador that Greece could be more flexible on agricultural market access, but dares not be seen as among those willing to compromise, for fear that France would abandon Greece on the issue of domestic support, or even retaliate against Greece in the EU budget process.

[1](#)3. (SBU) Alogoskoufis noted that Greece has agricultural concerns: it has the largest percentage of its population still working in agriculture and derives a larger percentage of its GDP from agriculture than most EU nations. Furthermore, many regions of Greece, particularly in the poorer north, depend almost entirely on agriculture for their livelihood. That said, Alogoskoufis was clear that Greece was not irretrievably opposed to a better EU agricultural market access offer. Greece is mainly interested, he said, in protecting the ability to receive substantial domestic support in the green and blue boxes, and only secondarily in ensuring a few products (peaches, olive oil, cotton and sugar) are considered sensitive.

[1](#)4. (C) Regarding the current EU offer and Commissioner Mandelson's position, Alogoskoufis felt the French were ensnared in a box of domestic politics, with no flexibility, and that the Commissioner had gone too far in trying to ensure a successful outcome. While Alogoskoufis acknowledged a good outcome for Hong Kong was a laudable goal, he felt that countries with threatened interests were now reining in Mandelson. Alogoskoufis also observed that Hong Kong did not equal Doha, and that agriculture was not the only issue in the DDA. Ambassador noted there was a severe risk to Hong Kong and the DDA in the event that the EU failed to produce an offer somewhere in the negotiable range, but Alogoskoufis demurred. In his assessment the EC could make its offer to do more on agricultural market access in Hong Kong, when it has had a chance to evaluate offers in other areas. Ambassador noted that the U.S. supported Mandelson on the issue of working on NAMA and services as well as agriculture, but stressed that in our assessment Lamy was correct: the gap on agricultural offers was outside the negotiable range, and had to be narrowed in order to have any hope for success.

[1](#)5. (C) Ambassador asked whether the GoG would support a proposal for the EU to promise to improve its agricultural market access offer at Hong Kong. Alogoskoufis said this could be possible on the condition that there was sufficient quid pro quo on NAMA and services. He observed that an improved EU offer was going to take longer than a couple of days to put together, especially as the Germans were currently without strong leadership and the French were backed into a corner. He observed that those two countries do not agree about everything, but were pretty close on this issue, and Greece simply could not be seen as being bold in the face of that opposition.

[1](#)6. (C) Comment: Alogoskoufis returned time and again to the idea of French retaliation against Greece, either on domestic support issues in the DDA or in the EU budget process,

emphasizing that this was the crux of the Greek position. He acknowledged that Mandelson was pursuing a sound economic strategy in pushing for liberalization, and that many EU countries were in fact, working against their own interests by being intransigent on agriculture. Nonetheless, Alogoskoufis made it clear that there was a lot of concern, which the GoG shares, that after the CAP reform of 2003, it was politically impossible to take on domestic agricultural concerns again this soon. In Greece's case, he noted that the issue was currently passing without much press attention, but could ignite in the event that farmers smelled a possibility of being sold out.

17. (C) Alogoskoufis also candidly acknowledged that Greece was exposed because of its excessive deficit procedure as well as its failure to implement ECJ decisions (directing repayment of subsidies to Olympic Airlines), and EU directives (deregulating the energy sector, environmental failures, and others). This "vulnerability," caused by Greek failures to be good Europeans, will continue to keep Greece from taking strong stands in the EU. Last summer, at the prodding of the EC, Greece nearly became the first EU nation to unilaterally abrogate its bilateral air transport agreement with the U.S., citing exactly the same concerns; it was weak vis-a-vis the EU and larger members because of the excessive number of cases and judgments pending against it. Also, the Greek economy is quite reliant on EU transfers, and while they understand at some level that they are going to lose much of that money to the ten new entrants, it is clear they are anxious to hang on to whatever they can get. Alogoskoufis summed it up best when he noted that the discussion was not just about the DDA or Hong Kong, but had greater implications for Greece in general; "In the EU," he said, "everything is related." End comment.

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